

North Dakota REV-E-NEWS



Pam Sharp, Director

March 2012

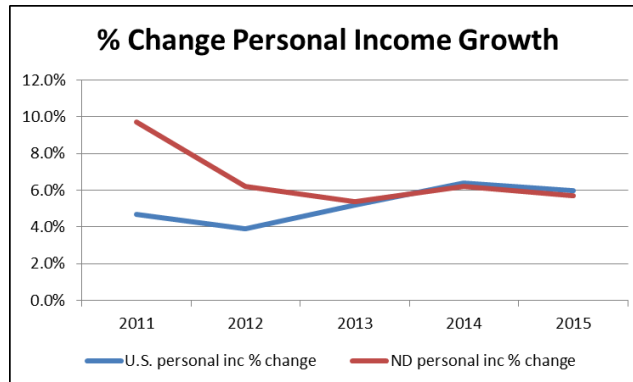
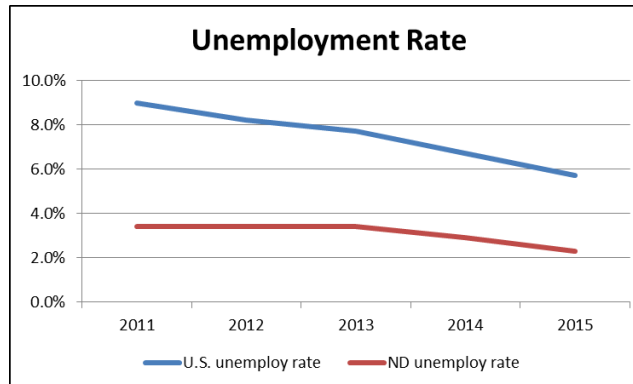
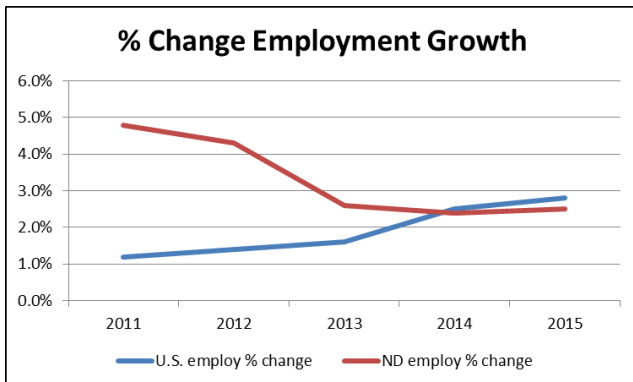
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MESSAGE FROM THE DIRECTOR

Moody's Analytics, in its February 2012 *Précis U.S. State* publication, examined the North Dakota economy. Moody's reports that "North Dakota's economy remains the strongest in the nation and is firmly in the midst of a historic expansion period." They go on to say that "North Dakota led the nation in virtually every economic category last year." For example, "employment grew 5% in 2011, nearly five times the national average" and "at 3.3%, the unemployment rate remained the lowest in the country, and about a third of the U.S. rate."

Although growth is expected to slow to a more sustainable pace in the years ahead, the outlook is still overwhelmingly positive. "The North Dakota economy will significantly outpace the U.S. over the next several years. Commodity price increases and new technologies will support energy exploration, accompanied by growth in auxiliary industries throughout the state."

The charts compare Moody's estimates for the U.S. and North Dakota economies for the important economic indicators of employment growth, unemployment rate, and personal income growth.



OIL ACTIVITY



The 2011-13 biennium legislative forecast is based on oil production increasing from 390,000 barrels per day at the start of the 2011-13 biennium to 425,000 barrels per day by the end of the biennium. North Dakota crude oil prices are forecasted to range from \$72 per barrel to \$75 per barrel during that time. Currently, the posted price for North Dakota sweet crude is around \$75 per barrel. The current rig count is 206 rigs, 35 more than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:

	Jan 2012	Dec 2011	Nov 2011
Actual average price per barrel	\$88.77	\$87.98	\$90.36
Production (barrels/day)	546,000	535,000	519,600
Drilling permits	170	180	169
Producing wells	6,617	6,471	6,332
Rig count	200	199	199

Comments or Questions?
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STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2011-13 Biennium February 2012

Revenues and Transfers	Fiscal Month				Biennium To Date			
	April 2011 Leg. Forecast	Actual	Variance	Percent	April 2011 Leg. Forecast	Actual	Variance	Percent
Sales Tax	59,592,000	80,943,379	21,351,379	35.8%	475,687,000	694,249,091	218,562,091	45.9%
Motor Vehicle Excise Tax	6,199,000	9,540,265	3,341,265	53.9%	55,778,000	77,089,174	21,311,174	38.2%
Individual Income Tax	7,445,000	18,349,023	10,904,023	146.5%	154,693,000	230,352,179	75,659,179	48.9%
Corporate Income Tax	1,795,000	10,488,162	8,693,162	484.3%	25,937,000	71,726,613	45,789,613	176.5%
Insurance Premium Tax	4,500,000	7,676,470	3,176,470	70.6%	16,100,000	22,950,304	6,850,304	42.5%
Financial Institutions Tax	89,000	183,670	94,670	106.4%	89,000	(126,695)	(215,695)	-242.4%
Oil & Gas Production Tax*					89,237,000	99,799,206	10,562,206	11.8%
Oil Extraction Tax*					110,763,000	100,200,794	(10,562,206)	-9.5%
Gaming Tax	764,812	672,031	(92,781)	-12.1%	3,379,072	4,251,918	872,846	25.8%
Lottery								
Cigarette & Tobacco Tax	1,615,000	2,001,978	386,978	24.0%	15,117,000	17,786,235	2,669,235	17.7%
Wholesale Liquor Tax	484,000	565,410	81,410	16.8%	4,934,000	5,551,593	617,593	12.5%
Coal Conversion Tax	1,525,000	1,087,761	(437,239)	-28.7%	10,498,000	11,339,995	841,995	8.0%
Mineral Leasing Fees	1,416,667	2,047,002	630,335	44.5%	7,083,336	28,695,243	21,611,907	305.1%
Departmental Collections	1,916,706	5,110,379	3,193,673	166.6%	23,023,316	26,327,913	3,304,597	14.4%
Interest Income	985,000	465,385	(519,615)	-52.8%	6,850,000	3,837,104	(3,012,896)	-44.0%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					295,000,000	295,000,000	0	0.0%
Other Transfers		3	3	100.0%	556,875	569,606	12,731	2.3%
Total Revenues and Transfers	88,327,185	139,130,917	50,803,732	57.5%	1,294,725,599	1,689,600,274	394,874,675	30.5%

* Oil and gas production and extraction tax collections totaled \$159.0 million in February. Through February, oil tax collections totaling \$200.0 million have been deposited in the general fund and \$101.5 million have been deposited in the property tax relief sustainability fund. Once property tax relief sustainability fund deposits total \$341.8 million, an additional \$100.0 million will be deposited into the general fund. Through February, \$219.5 million has been deposited into the legacy fund.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Previous Biennium Revenues 2011-13 Biennium February 2012

Revenues and Transfers	Fiscal Month				Biennium To Date			
	February 2010	February 2012	Variance	Percent	2009-11	2011-13	Variance	Percent
Sales Tax	43,873,102	80,943,379	37,070,277	84.5%	368,058,026	694,249,091	326,191,065	88.6%
Motor Vehicle Excise Tax	3,992,325	9,540,265	5,547,940	139.0%	34,046,367	77,089,174	43,042,807	126.4%
Individual Income Tax	14,183,870	18,349,023	4,165,153	29.4%	187,562,014	230,352,179	42,790,166	22.8%
Corporate Income Tax	1,729,989	10,488,162	8,758,173	506.3%	38,023,724	71,726,613	33,702,890	88.6%
Insurance Premium Tax	3,642,175	7,676,470	4,034,294	110.8%	12,563,110	22,950,304	10,387,195	82.7%
Financial Institutions Tax	264,395	183,670	(80,725)	-30.5%	(724,874)	(126,695)	598,178	-82.5%
Oil & Gas Production Tax					32,718,333	99,799,206	67,080,873	205.0%
Oil Extraction Tax					38,281,667	100,200,794	61,919,127	161.7%
Gaming Tax	1,339,793	672,031	(667,762)	-49.8%	5,919,439	4,251,918	(1,667,521)	-28.2%
Lottery								
Cigarette & Tobacco Tax	1,603,378	2,001,978	398,599	24.9%	15,359,737	17,786,235	2,426,498	15.8%
Wholesale Liquor Tax	502,138	565,410	63,272	12.6%	4,943,651	5,551,593	607,942	12.3%
Coal Conversion Tax	1,374,650	1,087,761	(286,888)	-20.9%	13,337,489	11,339,995	(1,997,495)	-15.0%
Mineral Leasing Fees	1,414,123	2,047,002	632,878	44.8%	5,419,379	28,695,243	23,275,864	429.5%
Departmental Collections	1,756,781	5,110,379	3,353,599	190.9%	21,789,049	26,327,913	4,538,865	20.8%
Interest Income	729,198	465,385	(263,813)	-36.2%	7,018,280	3,837,104	(3,181,175)	-45.3%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					295,000,000	295,000,000	0	0.0%
Other Transfers	6,083	3	(6,080)	-99.9%	1,480,577	569,606	(910,972)	-61.5%
Total Revenues and Transfers	76,412,001	139,130,917	62,718,917	82.1%	1,080,795,969	1,689,600,274	608,804,305	56.3%

* Oil and gas production and extraction tax collections totaled \$159.0 million in February. Through February, oil tax collections totaling \$200.0 million have been deposited in the general fund and \$101.5 million have been deposited in the property tax relief sustainability fund. Once property tax relief sustainability fund deposits total \$341.8 million, an additional \$100.0 million will be deposited into the general fund. Through February, \$219.5 million has been deposited into the legacy fund.

VARIANCES

February 2012 revenues are \$139.1 million, which exceeds the forecast by \$50.8 million for the month. The biennium to date variance as of February 29, 2012, is \$394.9 million, or 30.5 percent. Significant variances are as follows:

- **Sales tax** collections total \$80.9 million in February, \$21.4 million more than estimated. The biennium to date variance from the forecast is \$218.6 million, or 45.9 percent. Compared to the first eight months of the previous biennium, sales tax collections are \$326.2 million, or 88.6 percent, higher.
- **Motor vehicle excise tax** collections exceed the forecast by \$3.3 million for the month. Comparison to the 2009-11 biennium is difficult due to legislatively authorized changes in the allocation of motor vehicle excise taxes. For 2009-11, only 75.0 percent of the tax was allocated to the general fund, but for 2011-13, 100.0 percent of the tax is allocated to the general fund. Adjusting for this change in allocation, 2011-13 collections are \$31.7 million higher.
- **Individual income tax** collections again exceed the forecast. February collections are \$10.9 million higher than estimated, bringing the biennium to date variance to \$75.7 million, or 48.9 percent. A portion of this variance is likely related to over-withholding as employers and taxpayers filing quarterly estimated tax payments are slow to adjust to lowered tax rates. Overpayments will be recognized when 2011 tax returns are filed in 2012, at which time any required refunds will be paid.
- **Corporate income tax** collections, which fluctuate based on economic activity at both the state and national level, exceed the monthly forecast by \$8.7 million and exceed the biennium to date forecast by \$45.8 million.
- **Insurance premium tax** collections, which are based on a percentage of insurance premiums paid, are \$3.2 million higher than estimated for the month and \$6.9 million higher than estimated for the biennium to date.
- **Oil and gas taxes** deposited in the general fund are limited to \$300.0 million for the entire biennium -- an initial \$200.0 million, then an additional \$100.0 million after the property tax relief sustainability fund reaches its cap. The forecast assumed the initial \$200.0 million cap would not be reached until January. However, due to higher than estimated price and production levels, the cap was reached in December.
- **Departmental collections** are comprised of various service fees, permit fees, and taxes collected by state agencies. The revenue forecast is based on the cumulative estimates provided by all state agencies. February collections exceed the forecast by \$3.2 million, primarily the result of higher than anticipated telecommunications tax collections by the Tax Department.